



FESIA A. DAVENPORT  
Chief Executive Officer

## County of Los Angeles CHIEF EXECUTIVE OFFICE

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*"To Enrich Lives Through Effective And Caring Service"*

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# ADOPTED

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES  
32 August 30, 2022

CELIA ZAVALA  
EXECUTIVE OFFICER

**APPROVE REVISIONS TO BOARD BUDGET POLICY 4.030  
(ALL DISTRICTS)  
(3-VOTES)**

August 30, 2022

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

### **SUBJECT**

Recommendation to approve revisions to Board Policy 4.030 (Policy) to update the Board's budget priorities to include the Care First and Community Investment (CFCI) program.

### **IT IS RECOMMENDED THAT THE BOARD:**

1. Approve the enclosed proposed revisions to Board Policy 4.030.

### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

The Policy, first approved in 1996, has established the County's budgeting priorities which guide our long-term financial strategic planning in the annual budget process. The recommended changes will update the Policy to include the CFCI program as part of the Board's budget priorities.

On August 10, 2021, the Board adopted Policy 4.031 to establish procedures to fund CFCI programs. To reflect this commitment and align the Policy with the Board's current budget priorities, we are recommending that the CFCI program be incorporated into the highest level budget priority as reflected in the enclosed revised Policy.

**Implementation of Strategic Plan Goals**

The recommended actions are consistent with the goals of the Countywide Strategic Plan, specifically Goal III – Realize Tomorrow’s Government Today by supporting Strategy III.3 to pursue operational effectiveness, fiscal responsibility and accountability.

**FISCAL IMPACT/FINANCING**

The revisions to the Policy will ensure budget recommendations are made with consideration to the Board’s budget priorities which include the CFCI program.

**FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

As County Counsel advised when the Policy was previously discussed, a simple majority of the Board could adopt a Board policy that includes a provision requiring a super-majority to approve certain actions. However, County Counsel further advised that a simple majority of your Board could also suspend, waive, or repeal the policy calling for a super-majority vote. Based on California Attorney General Guidance interpreting State law, the Board can revise, suspend, or repeal this policy with a simple three vote majority.

**IMPACT ON CURRENT SERVICES (OR PROJECTS)**

Board adoption of the revised policy will have no impact on current services or projects.

Respectfully submitted,



FESIA A. DAVENPORT

Chief Executive Officer

FAD:JMN:MM

MRM:YR:GS:cc

Enclosures

c: Executive Office, Board of Supervisors  
County Counsel  
Auditor-Controller



# *Los Angeles County* **BOARD OF SUPERVISORS POLICY MANUAL**

Policy #:	Title:	Effective Date:
<b>4.030</b>	<b>Budget Policies and Priorities</b>	<b>12/17/96</b>

## **PURPOSE**

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Fosters fiscal prudence and long-term strategic fiscal planning by establishing policies and priorities that will assist departments in preparing their budget requests, provides direction to the Chief Executive Officer in developing the Recommended Budget and provides a context to help guide Board decision-making consistent with deliberations on the Final Budget.

## **REFERENCE**

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December 17, 1996, [Board Order Synopsis 67](#)

February 3, 1998, [Board Order Synopsis 68 \(S-1\)](#)

September 21, 2004, [Board Order No. 13](#)

January 27, 2009, [Board Order No. 15](#)

June 20, 2011, [Board Order No. 1](#)

May 15, 2012, [Board Order No. 20](#)

June 24, 2013, [Board Order No. 3](#)

August 12, 2014, [Board Order No. 6](#)

September 30, 2014, [Board Order No. 56](#)

September 29, 2015, [Board Order No. 50](#)

March 31, 2020, [Board Order No. 34](#)

May 3, 2022, [Board Order No. 34](#)

## POLICY

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The initial policy has been amended and augmented with additional policies which are consistent with the general budget policy direction indicated by recent Board actions and discussions.

### Budget Policies:

1. In developing recommendations that may require operational reductions, departments should ensure that administrative and non-service areas have been reduced to the maximum extent possible. In general, any service reduction, which may be necessary, should include commensurate reductions in administrative functions, such as management/supervisory, payroll, or other support staff. Reductions should include an overall review of management structure with the objective of reducing layers of management. Further, reductions should focus on positions most recently added and/or programs most recently augmented.
2. Focus reductions in programs which are discretionary or where the service level is discretionary.
3. Ongoing costs should be funded with ongoing revenues. Aligning continuing expenditures with continuing revenues, on a level that can be reasonably sustained, will foster stability, predictability, and long-range planning, while avoiding volatility in service levels. Before expanding services, use new, ongoing revenues to meet current obligations and reduce reliance on one-time funding. New programs should not be proposed without identification of (a) specific and continuous funding source(s).
4. The budget should be based on realistic revenue estimates. Future costs should only be budgeted if there is a high probability that the funds will be available to support them. Reliance on new revenues from anticipated growth or revenues contingent upon passage of legislation, unless reasonably assured, can place the budget at risk and raise false expectations.
5. Mandated programs should normally be implemented at the level of funding provided by the State or federal government; continuing to provide supplemental local funding for unfunded or under-funded State/federal mandates allows other levels of government to escape responsibility for providing adequate funding for mandates they place on the County. Similarly, to the extent that public health and safety are not jeopardized, County overmatches should be reduced or eliminated.
6. All new requests for program funding should be accompanied with clear and concise statements of the program's mission, objectives, and intended measurable outcomes; managers will be evaluated, in part, on achievement of outcomes.
7. Unless there is a clear compelling reason for a particular service to be provided by County employees, the choice of a service provider should be based on which entity can provide the service most effectively at lowest cost, whether it be the County, a non-profit organization, a private business, or another jurisdiction.
8. The feasibility and legality of imposing fees or other charges should be evaluated for any service provided by the County where full cost recovery is not currently achieved, particularly services which benefit other jurisdictions.

9. A Reserve for Rainy Day Funds should be maintained to protect essential County programs against unforeseen emergencies and economic downturns. The Rainy-Day Fund should be 17% of on-going locally generated revenue. Transfers, at a minimum of ten percent (10%) of excess fund balance, less Board-approved carryovers, shall be set aside in the Rainy-Day Fund. Excess fund balance is defined as the difference between the actual year-end fund balance amount as determined by the Auditor-Controller, less the estimated fund balance amount included in the Adopted Budget. Board approved carryover is defined as unspent funding that was previously approved by the Board for critical programs and/or uncompleted projects.
10. Seventeen (17%) of new ongoing discretionary revenues should be set aside annually, during the budget process, in Appropriations for Contingencies, as a hedge against any unforeseen fiscal issues during the year. At year end, these funds will be transferred to Rainy-Day Funds.
11. Additionally, a fixed one-time amount (minimum \$5.0 million) should be set aside annually, during the budget process, to address deferred maintenance and/or an on-going amount in the Recommended Budget phase, if on-going funding allows.
12. Budget decisions should be considered within the context of revenue and expenses projected beyond a single fiscal year. A long-range forecast should be developed and maintained to reflect continuing programs, anticipated new initiatives, revenue changes, cost increases, potential problem issues and other factors that may impact strategy for maintaining a balanced budget over several years.
13. The status of expenses and revenue for each department should be closely and thoroughly monitored, with reports provided to the Board on a regular basis. Department Heads should be responsible for tracking deviations from planned revenue receipts and expenses, and for recommending adjustments as needed to end fiscal year in balance.
14. The County should phase in funding of unfunded liabilities. The County currently budgets a number of unfunded incurred liabilities, such as Workers' Compensation, on a pay-as-you-go basis, instead of funding reserves to cover future payments. Failure to address unfunded liabilities is a form of deficit spending, which if left unchecked, will eventually consume larger and larger portions of the annual budget. Accepted actuarial and accounting practices require that reserves be established so that future payouts of today's costs do not impact future operating budgets. To address the major unfunded actuarial liabilities of the County, a structured multi-year plan based on an incrementally increased on-going annual funding should be developed and implemented. These costs will be incorporated into the County's long-range forecast.
15. The County provides Health Care and Dependent Care Spending Account benefits that help participating employees save money by using pre-tax dollars to pay for certain eligible expenses. Under applicable federal tax rules, plan participants must forfeit any money that is not spent on eligible expenses during the plan year. Forfeited spending account funds should be used as follows: a) Forfeited employee Dependent Care Spending Account monies, as determined by the Department of Human Resources (DHR), shall be transferred to a separate and dedicated fund managed by the Director of the Department of Public Health (DPH) on an annual basis. Funding shall support enhancement of County-operated child care center and broader countywide early care and education (ECE) strategic initiatives. Permitted expenditure categories include (1)

Facility and/or program enhancement of County-operated child care centers, (2) Community-based or countywide initiatives to increase access to and quality of ECE programs serving families of Los Angeles County employees and families across Los Angeles County with young children, and (3) Strategies to increase programmatic capacity at DPH's Office for the Advancement of Early Care and Education to advance policy and systems changes; and b) Forfeited employee Health Care Spending Account monies, as determined by the DHR, shall be transferred to the Reserve for Rainy Day Funds on an annual basis.

16. The Los Angeles County Employee Retirement Association (LACERA) administers the County's Retiree Healthcare Program on behalf of the County and maintains a prudent premium reserve to offset expected premium increases among other things. Should the amount of premium reserve exceed the prudent reserve level established by LACERA, the County will direct LACERA to transfer the County's share of the excess premium reserves to the Other Post Employee Benefits (OPEB) trust fund. The OPEB trust fund serves as the vehicle to pre-fund retiree health care benefits and reduce the County's financial burden. The County shall review the premium reserve funding level on an annual basis and communicate their request to LACERA accordingly.
17. The 2011-12 State Budget Act included ABx1 26 ("the Redevelopment Dissolution Act") prohibiting redevelopment agencies from engaging in new business and providing for their wind down and dissolution. Beginning in FY 2011-12 property tax increment formerly diverted to redevelopment agencies is deposited into the Redevelopment Property Tax Trust Fund to pay enforceable obligations, pass through payments, and administrative costs. Remaining funds are distributed to affected taxing entities as "residual" property tax revenue. In addition to residual property tax revenue, the County will receive funds from the disposition of redevelopment agencies' fixed assets. Residual property tax revenue and revenue received from the disposition of redevelopment agencies' fixed assets should be used as follows:

Beginning in FY 2014-15, use all revenue received from Redevelopment Asset sales to provide funding for General Fund Capital Projects and Deferred Maintenance, Low to Moderate Income Housing, and/ or economic development.

18. The allocation of ongoing supervisorial district-specific funding for ongoing financial obligations beyond the total number of years the sponsoring supervisor may serve pursuant to Section 4 of the Los Angeles County Charter less the number of years already served by the sponsoring supervisor at the time of the proposed funding agreement approval ("term-limited tenure"), shall require a four-fifths vote of the Board of Supervisors. The allocation of ongoing funding will require four-fifths vote when it is secured by any written agreement between the County and other contracting party or parties, including but not limited to, Social Program Agreements ("SPAs"), Memoranda of Understanding or other formal agreements without termination clauses or with a termination date exceeding the term-limited tenure of the sponsoring supervisor.

In addition, the Chief Executive Office shall submit for Board approval transfers of funding that result in the substitution of net County cost funding for supervisorial district-specific funding.

19. On June 22, 2015, the Board of Supervisors approved a multi-year plan to fully fund retiree health care benefits at the actuarially determined contribution (ADC) level. Each year, the County shall incrementally increase the net County cost contribution by \$25.0 million until the ADC level is fully funded. Once the ADC

level is fully funded, the County will continue to maintain this level of funding while making any necessary adjustments during the annual budget process.

Require a four/fifths vote of the Board of Supervisors, on the following: Any revisions to the Board's "Budget and Fiscal Policies."

Labor Agreements impacting salaries and employees benefits cost increases

20. Unless directed by the Board, exempt Board-adopted changes to these policies from Audit Committee review and remove all sunset dates and sunset review dates associated with this policy.

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#### Budget Priorities:

1. Public Safety and Justice – This priority (includes all law enforcement, justice, and public related operations, including the County's commitment to implement the Care First and Community Investment program. This consists of an array of programs that support direct community investments and alternatives to incarceration.)
2. Public Health and Welfare/Prevention – This priority (includes all health, welfare, and social service operations.)
3. Direct Public Services – This priority (includes all recreational, cultural, consumer protection, and many regulatory operations.)
4. Internal and Support Services – This priority (includes all central staff and support operations.)

#### **RESPONSIBLE DEPARTMENT**

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Chief Executive Office

#### **DATE ISSUED/SUNSET DATE**

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On August 12, 2014, the Board of Supervisors approved [Agenda Item No. 6](#) removing all Sunset Dates and Sunset Review Dates associated with this policy.

**Issue Date: December 17, 1996**  
**Re-issue Date: September 21, 2004**  
**Review Date: December 18, 2008**  
**Re-issue Date: January 27, 2009**  
**Review Date: May 21, 2009**  
**Review Date: October 25, 2012**  
**Review Date: March 19, 2014**

**Sunset Review Date: December 17, 2003**  
**Sunset Review Date: December 17, 2008**  
**Sunset Review Date: December 17, 2012**  
**Sunset Review Date: December 17, 2012**  
**Sunset Review Date: December 17, 2012**  
**Sunset Review Date: December 17, 2016**  
**Sunset Review Date: December 17, 2014**